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MISSION

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/16 AND ENDING 12/31/16
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATIONNAME OF BROKER-DEALER: Sterling Monroe Securities, LLC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

168 Forest Avenue

(No. and Street)

Locust Valley,NY11560

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Demetri Douras

(516) 759-3900

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Breard & Associates, Inc., Certified Public Accountants

(Name - if individual, state last, first, middle name)

9221 Corbin Avenue, Suite 170NorthridgeCA91324

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY


*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Monroe Diefendorf, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sterling Monroe Securities, LLC, as of December 31, 20 16, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

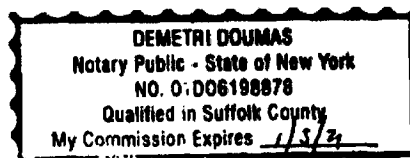

Signature
PRESIDENT
Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.



State of NEW YORK
County of MASSACHUSETTS

Subscribed and sworn to (or affirmed) before me on this 27th day of FEBRUARY, 2017 by MONROE M. DIEFENDORF, JR. proved to me on the basis of satisfactory evidences to be the person who appeared before me.

Notary Public 

Sterling Monroe Securities, LLC
Statement of Financial Condition
December 31, 2016

Assets

Cash	\$ 30,121
Commissions receivable	36,293
Related party receivable	143,000
Other receivables	10,838
Prepaid expense	44,316
Property and equipment, net	<u>1,718</u>
Total assets	<u>\$ 266,286</u>

Liabilities and Member's Equity

Liabilities

Accounts payable and accrued expenses	<u>\$ 48,706</u>
Total liabilities	48,706

Member's equity

Member's equity	<u>217,580</u>
Total member's equity	<u>217,580</u>
Total liabilities and member's equity	<u>\$ 266,286</u>

The accompanying notes are an integral part of these financial statements.



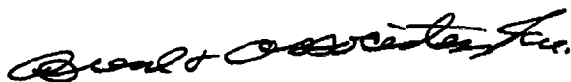
Report of Independent Registered Public Accounting Firm

To the Member of
Sterling Monroe Securities, LLC:

We have audited the accompanying statement of financial condition of Sterling Monroe Securities, LLC ("the Company") as of December 31, 2016, and the related notes (the "financial statements"). These financial statements are the responsibility of Sterling Monroe Securities, LLC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sterling Monroe Securities, LLC as of December 31, 2016, in conformity with accounting principles generally accepted in the United States.



Breard & Associates, Inc.
Certified Public Accountants

New York, New York
February 27, 2017

Sterling Monroe Securities, LLC
Notes to Financial Statements
December 31, 2016

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Sterling Monroe Securities, LLC. (The "Company") was organized in the State of New York on May 1, 2002. The Company is a registered broker-dealer in securities under the Securities and Exchange Act of 1934, a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC"), and is registered with the Municipal Securities Rulemaking Board ("MSRB").

Under its membership agreement with FINRA and pursuant to Rule 15c3-1(k)(2)(i), the Company earns commissions on investments recommended through financial planning activities of related companies. The Company also earns commissions through the sale of variable annuities. Accordingly, the Company is exempt from the requirement of Rule 15c3-3 under the Securities Exchange Act of 1934 pertaining to the possession or control of customer assets and reserve requirements.

The Company is 100% owned by The Diefendorf Family Trust, effective December 12, 2012.

Summary of Significant Accounting Policies

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Commissions receivable are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Securities transactions are recorded on a trade date basis with related commission income and expenses also recorded on a trade date basis.

Property and equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized.

The Company is treated as a disregarded entity for federal income tax purposes, in accordance with single member limited liability company rules. All tax effects of the Company's income or loss are passed through to the member. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements.

Sterling Monroe Securities, LLC
Notes to Financial Statements
December 31, 2016

Note 2: PROPERTY AND EQUIPMENT

Property and equipment are recorded net of accumulated depreciation and summarized by major classification as follows:

		<u>Useful Life</u>
Computer equipment	\$ 8,390	5
Office equipment	<u>6,146</u>	5-7
Total cost of property and equipment	14,536	
Less: accumulated depreciation	<u>(12,818)</u>	
Property and equipment, net	<u>\$ 1,718</u>	

Depreciation expense for the year ended December 31, 2016 was \$1,668.

Note 3: INCOME TAXES

As discussed in the Summary of Significant Accounting Policies (Note 1), the Company operates as a limited liability company treated as a disregarded entity for tax purposes. Accordingly, all tax effects of the Company's income or loss are passed through to the member and no provision or liability for Federal Income Taxes is included in these financial statements.

The Company is required to file income tax returns in state and local tax jurisdictions. The Company's tax returns are subject to examination by taxing authorities in the jurisdictions in which it operates in accordance with the normal statutes of limitations in the applicable jurisdiction. The statute of limitations for state purposes is generally three years, but may exceed this limitation depending upon the jurisdiction involved. Returns that were filed within the applicable statute remain subject to examination. As of December 31, 2016, the taxing authorities have not proposed any adjustment to the Company's tax position.

Note 4: COMMISSIONS AND BONUSES TO LICENSED REPRESENTATIVES

The firm compensates a number of licensed representatives contractually based on the revenues they help the firm generate, in the form of commissions and bonuses. Additional commissions and bonus are paid to the firm's principal on a discretionary basis. During 2016, \$0 was paid out to the principal under this arrangement.

Sterling Monroe Securities, LLC
Notes to Financial Statements
December 31, 2016

Note 5: RELATED PARTY TRANSACTIONS

Under an Expense Agreement between the Company and Diefendorf Management Services, LLC ("DMS") originally dated July 1, 2004, and revised January 1, 2012, the Company pays DMS \$9,000 a month in management fees. The management fees represent a reimbursement of allocated operating costs for administrative and support salaries, computer maintenance, supplies, communications and postage. For 2016, management fees amounted to \$154,787 and are included on the accompanying Statement of Income.

In addition, the Expense Agreement includes a \$1,000 per month charge for the office space at 168 Forest Avenue, Locust Valley New York, payable to a related Diefendorf family entity, 93 Main Street Associates. Total rent for 2016 was \$12,000, and is included in the accompanying Statement of Income.

Under a separate arrangement, the Company paid DMS \$2,000 per month for software licensing in 2016, or \$24,000 for the year. This expense is included under "Other Operating Expenses" in the accompanying Statement of Income.

It is possible that the terms of certain of the related party transactions are not the same as those that would result for transactions among wholly unrelated parties.

Note 6: CAPTIVE INSURANCE COMPANY PAYMENTS

The Company secures its additional insurance coverage through a captive insurance company based in Tennessee. The annual premium is \$28,500 for a policy that is effective January 1st through December 31st. The payment of the premium for 2016 was recorded and expensed in December 2015. The premium for the 2017 policy period was not paid until 2017, and will be classified as a prepaid expense, to be amortized monthly, in line with the handling of other similar prepaid items on the Company financial statements.

Note 7: COMMITMENT AND CONTINGENCIES

The Company had no commitments, no contingent liabilities and had not been named as a defendant in any lawsuit at December 31, 2016, or during the year then ended.

Sterling Monroe Securities, LLC
Notes to Financial Statements
December 31, 2016

Note 8: GUARANTEES

FASB ASC 460, Guarantees, requires the Company to disclose information about its obligations under certain guarantee arrangements. FASB ASC 460 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying factor (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. This guidance also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of indebtedness of others.

The Company has issued no guarantees at December 31, 2016, or during the year then ended.

Note 9: SUBSEQUENT EVENTS

The Company has evaluated events subsequent to the balance sheet date for items requiring recording or disclosure in the financial statements. The evaluation was performed through the date the financial statements were available to be issued. Based upon this review, the Company has determined that there were no events which took place that would have a material impact on its financial statements.

Note 10: RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board (the "FASB") has established the Accounting Standards Codification ("Codification" or "ASC") as the authoritative source of generally accepted accounting principles ("GAAP") recognized by the FASB. The principles embodied in the Codification are to be applied by nongovernmental entities in the preparation of financial statements in accordance with GAAP in the United States. New accounting pronouncements are incorporated into the ASC through the issuance of Accounting Standards Updates ("ASUs").

For the year ending December 31, 2016, various ASUs issued by the FASB were either newly issued or had effective implementation dates that would require their provisions to be reflected in the financial statements for the year then ended. The Company has either evaluated or is currently evaluating the implications, if any, of each of these pronouncements and the possible impact they may have on the Company's financial statements. In most cases, management has determined that the pronouncement has either limited or no application to the Company and, in all cases, implementation would not have a material impact on the financial statements taken as a whole.

Sterling Monroe Securities, LLC
Notes to Financial Statements
December 31, 2016

Note 11: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2016, the Company had net capital of \$28,576 which was \$23,576 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$37,706) to net capital was 1.32 to 1, which is less than the 15 to 1 maximum allowed.

Note 12: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a difference of \$11,100 between the computation of net capital under net capital SEC Rule 15c3-1 and the corresponding FOCUS part IIA.

Net capital per unaudited schedule		\$	28,676
Adjustments			
Member's equity	\$	(100)	
Non-allowable assets		<u>(11,000)</u>	
			<u>(11,100)</u>
Net capital per audited statements		\$	<u>17,576</u>

Sterling Monroe Securities, LLC
Report Pursuant to Rule 17a-5 (d)
Financial Statements
For the Year Ended December 31, 2016

PUBLIC